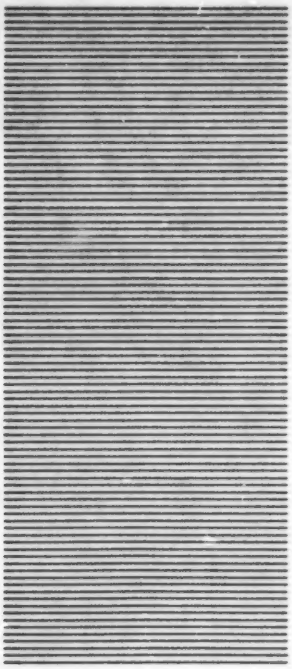
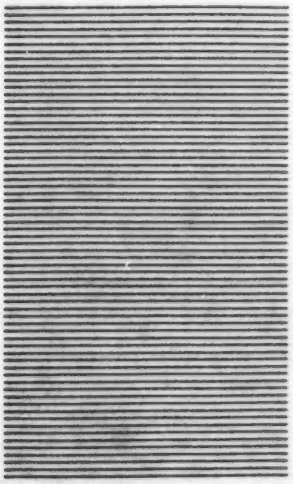


Alberta Securities Commission

Corporate Plan 1991-1994



Prepared September, 1991

Alberta **MEMORANDUM**

CONSUMER AND
CORPORATE AFFAIRS

FROM: Dennis Anderson
Minister

OUR FILE REFERENCE:

YOUR FILE REFERENCE:

TO: All Staff

DATE: September 18, 1991

TELEPHONE: 427-2305

SUBJECT: **Alberta Securities Commission — Corporate Plan 1991-94**

This is the first Corporate Plan for the Alberta Securities Commission, and has been recommended to me by the Chairman of the Board and the Chief of the Agency.

Given our resource constraints, which I expect to continue in the future, it is critical that the Alberta Securities Committee set priorities to ensure its effective role in maintaining a fair financial marketplace. All staff should review this document, and work together with management to incorporate the priorities into work plans and annual budget plans.

An important part of any corporate plan is the planning process. It is essential that staff be consulted and their input be incorporated, to ensure that annual updates to the plan are consistent with our overall goals and understood by all of the organization.

I endorse this plan as submitted by the Alberta Securities Commission. I look forward to all staff working to meet the objectives and priorities laid out in the plan, and ask for your continued support.

Dennis R. Anderson

Dennis Anderson

Alberta **MEMORANDUM**

CONSUMER AND
CORPORATE AFFAIRS

FROM: Ron Will **OUR FILE REFERENCE:**
Chairman, Securities Commission Board
Bob Steen
Chief, Securities Commission Agency
YOUR FILE REFERENCE:

TO: All Staff **DATE:** September 18, 1991

TELEPHONE:

SUBJECT: **Alberta Securities Commission — Corporate Plan 1991-94**

The Corporate Plan of the Alberta Securities Commission has been separated from the departmental plan to give you a more detailed look at the directions we must take to pace the challenging times before us.

The Alberta Securities Commission stands for a fair financial marketplace. This mission statement, and the priorities which are set out in this document, will set a focus for our efforts. Our future work plans and budget plans must reflect these priorities.

We appreciate the input of those Commission staff who participated in the development of the priorities.

Copies of this plan have been made for all members of the Commission. We encourage your comments and future participation in the planning process.

Ron Will

Bob Steen

92-03274/

Table of Contents

Mission ____ 1

Introduction ____ 2

The National and International Securities Regulatory Environment ____ 3

Meeting The Challenges of the Changing Regulatory Environment ____ 4

- Partnership ____ 4
- Protection of Public Interest ____ 4
- Resource Constraint ____ 4

The Next Three Years ____ 5

- Develop Policy and Legislation ____ 5
- Increase Partnership Activities ____ 6
- Inform Investors ____ 7
- Strengthen the Effectiveness of Enforcement Capabilities ____ 8
- Develop Our Human Resources ____ 9
- Focus Our Resources ____ 10
- Utilize Technology ____ 11

Mission

Alberta Securities Commission
For
A Fair Financial Marketplace

The Alberta Securities Commission strives to achieve a fair financial marketplace characterized by:

- encouragement and development of a fair and efficient capital market
- informed investors
- high standards of business practice and ethics
- clear, understandable transactions
- tough but fair rules and regulations that ensure adequate disclosure but also acknowledge investor responsibilities
- a regulatory environment conducive to a dynamic, competitive and efficient capital market
- effective enforcement, to create a fair and honest financial marketplace worthy of investor confidence
- responsibility shared among industry, investors and government to achieve and maintain a fair financial marketplace.

Introduction

The Alberta Securities Commission is divided into two separate entities that are independent of each other: the Board and the Agency. The Board is a quasi-judicial body that sits as an administrative tribunal in disciplinary hearings, and considers applications for exemption from the securities and franchises statutes and regulations. The Secretariat is the legislation development arm of the Board. The Agency is the body responsible for the day-to-day regulatory operations.

The core services of the Commission during the three-year planning period will continue to be:

- registering persons trading in securities and franchises
- reviewing and clearing prospectuses and other disclosure documents
- reviewing applications for exemption from legislation
- investigating and prosecuting offenses
- administering hearings by the Board
- developing policy and legislation.

The business plan will be updated annually.

This business plan sets the direction of the Alberta Securities Commission for the next three years, to 1994. The purpose is three-fold:

- to provide an overall vision and purpose for the Commission that will be a key factor in focusing resources and setting priorities
- to guide the activities of staff in the planning and implementing of functions
- to inform industry and investors of the Commission's direction.

The National and International Securities Regulatory Environment

The internationalization of capital markets, driven by technological advances, has resulted in rapid growth in the financial service industry and in the number of financial products available. Electronic communication continues to change the conduct of business in the financial marketplace. The ability of individuals to buy and sell financial products and services across borders, on a twenty-four hour basis, creates new challenges to securities regulators.

Canadian securities regulators are at a crossroad in two respects:

1. The constitutional debate in Canada about possible realignment of federal/provincial powers puts the responsibility for regulation of the Canadian financial marketplace in a state of uncertainty.

   The Commission must play an integral part in advising the Minister on the future role of the Alberta Securities Commission.

2. The Commission must adapt to an environment where cross-border securities offerings are becoming more prevalent between Canada and the United States, and amend traditional regulatory practices in Alberta as appropriate.

The overall challenge to securities regulators is to maintain a balance between the internationalization of capital markets and the protection of the public interest. The protection of the public interest deals with the creation of a fair financial marketplace as opposed to the protection of an individual's investments.

Within this context, the Alberta Securities Commission must be involved in the national and international regulation of securities.

Meeting The Challenges of the Changing Regulatory Environment

Partnership

The responsibility for fairness in the financial marketplace is not the government's alone. It must be shared with the securities industry, other regulators, and investors.

The realities of a global marketplace and the Commission's resource constraints, make partnership essential to the viability of the organization. The Commission must work closely with The Alberta Stock Exchange (ASE) and the Investment Dealers Association of Canada (IDA) to explore partnership possibilities ranging from sharing regulatory functions to consumer education. The Commission must also work closely with fellow regulators, both within Canada and internationally, developing tools of co-operation such as memoranda of understanding for multi-jurisdictional disclosure systems and enforcement issues. The model for partnership is to recognize the capabilities and responsibility of others and to let those who can best carry out the function be responsible.

Protection of Public Interest

The growing complexity and volatility of the financial marketplace, along with resource constraint, will pose new challenges to the regulatory role. The priorities in this area are:

1. allocating resources to areas of greatest investor risk

2. greater emphasis on major violations

3. continued publication of enforcement activities as a deterrent.

This strategic approach to our regulatory role will contribute to a fair financial marketplace and a positive public profile.

Resource Constraint

In 1991-92, the Commission will cope with resource constraint. However, it is anticipated that there will be no major decline in service. As the government policy of restraint continues, service adjustments will be required. It will be necessary to approach our responsibilities in different and creative ways as we cope with changing demands and uncertain resources. These challenges will be evident in all parts of the Commission.

The Next Three Years

In light of the changing environment, and consistent with the Commission's mission and its goals, the following priorities are established:

Develop Policy and Legislation

Objective

Maintain tough but fair rules within a regulatory framework that is efficient, responsive and enforceable but does not unnecessarily impede the development of a viable capital market.

Priorities

- Rationalize and focus policy development initiatives for Alberta and increase involvement in the formation of national policies.
- Ensure that legislation:
  a) is flexible, i.e. details such as number and dollar thresholds for statutory exemptions are moved to regulation
  b) reflects a balance between effective, efficient, enforceable regulation and obligations of financial consumers but does not impede development of viable capital markets
  c) balances obligations with civil remedies for investors
  d) deals with conflict of interest within the industry
  e) includes stakeholder involvement in the legislative process.
- Finalize regulations relating to increased enforcement powers and futures contracts (1991).
- Update the Franchises Act.
- Implement an internal Policy Development Agreement that will coordinate policy development by determining the Board/Agency's responsibilities.
- Review fee structure to share regulatory costs with market participants (1991-92).
- Consider activating the Policy Advisory Committee to assist in policy review and approval.

Increase Partnership Activities

Objective

The responsibility for fairness in the financial marketplace is not the government's alone. It must be shared with the securities industry, other regulators and investors.

Priorities

- Reduce the burden and expense of complying with different sets of rules without decreasing the protection of the public interest, through initiatives such as participation in a multi-jurisdictional disclosure system with other Canadian securities regulators and the U.S. Securities Exchange Commission (1991).

- Examine the establishment of a delegated regulatory organization (DRO) or a self-regulatory organization (SRO) for the franchise industry (1991).

- Improve co-ordination and co-operation of regulatory efforts by developing operational memoranda of understanding (MOUs) with other Canadian regulators, the Central Depository for Securities, and the Canadian Investor Protection Fund (1991).

- Develop and implement electronic filing with other Canadian securities regulators (1992-93).

- Study the legal ramifications and risk of a reduced prospectus review function, coupled with greater principal/non-principal jurisdictional clearing of documents and more investor education (1992-93).

- Enhance partnership with the ASE and IDA, by exploring possibilities for co-operative efforts in areas such as compliance, enforcement, and consumer education.

- Hold informal educational seminars for members of the securities industry.

- Hold regular meetings with industry to discuss issues and developments informally, and facilitate the exchange of ideas in relation to operational, legislative, and educational concerns.

- Network with industry to assist in the policy and legislation development process for all those involved:

  - accounting advisory committee
  - business valuators
  - franchise groups
  - regulatory groups, i.e., ASE and IDA
  - legal community
  - stockbrokers, advisors and dealers

The Commission will also encourage the involvement of private and public sector secondments by:

- Initiating new secondments with organizations such as the police or other regulatory agencies (1991).

- Continuing the legal and accounting secondment programs with a view to short-term placements within the Commission (ongoing).

Inform Investors

Objective

Increase investor awareness of the role of the Commission, any Commission regulatory changes which will directly affect them, investor rights and obligations, and the types of inappropriate marketplace activities subject to Board sanctions.

Priorities

- As an overall message in any investor education initiative, inform investors that:
  - while the Commission can penalize or remove the right to participate in the marketplace, it cannot compensate investors for monetary loss. Investors have the responsibility to pursue individual civil remedies.
  - acceptance of documents by the Commission does not mean an investment is risk-free, or recommended.

- Assist interested industry groups in identifying timely topics which industry can promote in a variety of ways (brochures, seminars, speeches, etc.), as educational tools for investors.

- Develop specific educational/communication initiatives to deal with significant regulatory changes, i.e., new regulations on futures contracts (1991).

- Provide investors with more legal remedies by considering legislative changes whenever possible.

- Establish and implement a communications strategy to publicize Board sanctions and decisions, so investors have the opportunity to recognize improper schemes and the people running them.

Strengthen the Effectiveness of Enforcement Capabilities

Objective

Contribute to a confident and viable market through effective policing.

Priorities

- Reassign resources in the Commission to increase ability in detection and prosecution.
- Prioritize investigations by examining the public interest, seriousness of the contravention and potential deterrent effect of future violations.
- Streamline investigations by setting up an initial assessment process to determine whether an investigation will be put before the Board or the court.
- Establish a costing/tracking system so the Commission can charge back to the respondents expenses incurred for investigations and hearings.
- Increase efficiency, in appropriate cases, through pre-filing conferences and settlement agreements, in preference to conducting full hearings before the Board.
- Increase the communication of Board sanctions through the media, both provincially and nationally.
- Review trading practices on the ASE (1991-92).
- Develop closer ties with the enforcement arms of other commissions, SROs and DROs through memoranda of understanding (MOUs) (1993-94).
- Develop closer ties with law enforcement agencies through information sharing, joint investigations, and secondments with police agencies (1992-94).
- Develop a stronger regulatory presence and cost efficiencies by use, in appropriate cases, of new enforcement tools such as removal of directors, and recovery of investigation and hearing costs.

Develop Our Human Resources

Objective

It is critical the Commission have staff with current skills in the fast-paced and dramatically changing marketplace. Staff cannot afford to become dated in their knowledge of the marketplace.

Priorities

- Conduct an assessment of organizational skills needed for the future. Ensure all recruitment and development is consistent with the needs identified.

- Implement a Code of Conduct for Agency staff (1991).

- Develop staff by:
  - rotating staff among internal units so they have the opportunity to develop skills in different areas and become aware of the relationship of each to the overall mission;
  - increasing expertise through appropriate training and educational opportunities, such as seminars offered by the Canadian Securities Administrators (CSA) or the North American Securities Administrators Association (NASAA);
  - enhancing the overall systems knowledge and capabilities of staff by developing a comprehensive systems training program;
  - actively participating and rationalizing inter-commission and external committees, where appropriate (eg. NASAA, CSA, etc.) to keep informed and to provide an Alberta perspective;
  - assessing possibilities to participate on cross-government committees, i.e., Treasury and Economic Development;
  - participating in secondment and exchange programs with industry and within government;
  - providing clearly-defined objectives with measurable standards of performance and performance appraisals based on goals achieved;

- Ensure strong communication lines are maintained in all parts of the Commission in relation to new developments, particularly in operations, legislation and policy initiatives.

Focus Our Resources

Objective

The Commission must focus its limited resources to where it can get the greatest return on its investment.

Priorities

- **Focus involvement in CSA participation on sub-committees in areas such as enforcement and mutual funds (1991-94).**
- **Maintain international involvement of the Commission by participation in NASAA, both as a staff development tool and through membership in the corporate, finance, franchise, and enforcement committees (1991-94).**
- **Develop monitoring processes to accurately determine work load and assign staff to areas of most need.**
- **The Chief and Chairman to communicate clearly and concisely the goals and priorities of each unit to ensure an internal harmonization of initiatives and directions. For example, increased investigation activity will lead to increased workload for the lawyers and Board as cases proceed to hearings.**
- **Ensure the Calgary office handles new responsibilities such as the reviewing/ approving of escrow applications, signing cease trade orders, holding pre-filing conferences and increasing franchise and investigative responsibilities.**

Utilize Technology

Objective
Provide staff with tools necessary to efficiently carry out the mission.

Priorities

- Implementation of the department's Electronic Data Processing Plan over the next three years:
  - Continue the program of providing personal computers for staff members who require them (1992-93).
  - Continue the implementation of Local Area Networks and the Wide Area Network to link both offices of the Commission and allow for inter-office sharing of documents, files and printers (1991-92).
  - Provide the standard software packages, supported by the Systems branch, to both office locations (1991-92).
  - Evaluate over the next 3 - 5 years and, if feasible, implement image processing (optical disc) for the storage and retrieval of information.
  - Upgrade the mainframe system to enable it to operate within the constraints of current technology.
  - Develop and implement a filing and prospectus review process that operates electronically.
  - Establish an Electronic Data Interchange (EDI) environment for the electronic filing and review of certain documents from outside users.
  - Continue to participate in the development of any multi-jurisdictional systems (i.e., NASAA).